



PRO-PAC PACKAGING LIMITED ANNUAL GENERAL MEETING 25 November 2019 ASX: PPG



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Good morning. My name is Jonathan Ling and I am your Chairman.

On behalf of the Directors and management, I am pleased to welcome you to the 2019 Annual General Meeting of Pro-Pac Packaging Limited. We greatly appreciate your interest and attendance.

I have been advised by the Company Secretary that a quorum is present, and I declare the meeting open.

I would like to introduce you to my fellow Directors:

- ❖ Leonie Valentine - A Non-Executive Director, and a member of our Remuneration & Nomination Committee;
- ❖ Marina Go - A Non-Executive Director, Chair of our Remuneration & Nomination Committee and a member of our Audit, Business Risk & Compliance Committee;
- ❖ Darren Brown - A Non-Executive Director, and Chair of our Audit Business Risk & Compliance Committee;
- ❖ Rupert Harrington - A Non-Executive Director, a member of our Remuneration & Nomination Committee and a member of our Audit, Business Risk & Compliance Committee; and
- ❖ Tim Welsh, our Managing Director and Chief Executive Officer.

Ahmed Fahour retired as a Director and Chairman of the Company on 30 June 2019. He served as a Director since March 2014 and we thank him for his contribution during that time.



From our executive team I would like to introduce:

- ❖ Rick Rostolis, Chief Financial Officer; and
- ❖ Kathleen Forbes, General Counsel and Company Secretary.

Also, in attendance today is Kester Brown representing our external auditor, Ernst & Young.

I will make some introductory comments, which will be followed by a business update from our CEO, Tim Welsh.

CHAIRMAN'S ADDRESS

A year of significant change

During the 2019 financial year, Pro-Pac continued to undergo substantial change as it transitions from a distributor of general packaging to a manufacturer and a distributor of value-add packaging products and solutions to higher growth segments of the market.

The November 2017 acquisition of Integrated Packaging and the more recent acquisitions of PolyPak and Perfection Packaging have provided the Company with an opportunity to become a market leader in flexible packaging. Over time, this strategy will transform your Company into a more resilient and diverse business with an established platform for future growth.

There have been changes to both the Board and management team in order to improve the performance of the business. I was appointed Chair on 8 April 2019 and bring a background in packaging and other industrial products together with a record of business improvement. Darren Brown, Marina Go and Leonie Valentine were all appointed to the Board during the 2019 financial year and have helped expand the skills and experience required to meet the changing needs of the Company.

From a management perspective, Tim Welsh joined the Company in May 2019 as our Managing Director and Chief Executive officer. Tim brings significant experience in manufacturing and packaging. Tim joined new senior executives including CFO, Rick Rostolis, General Manager, Flexibles, Andrew Harris and Preevy Sackville, General Manager Procurement.

Together, we bring a fresh approach, significant industry experience and a shared commitment to delivering shareholder value.



FY19 Financial Performance

\$ millions	30 June		Change %
	2019	30 June 2018	
Revenue	485.8	371.5	30.8
EBITDA (before significant items)	28.1	16.3	72.2
Flexibles	18.8	5.6	236.6
Industrial	3.7	6.0	(39.0)
Rigid	6.6	5.2	27.1
Unallocated corporate costs	(1.0)	(0.5)	(100.0)
EBIT (before significant items)	18.8	10.4	80.2
NPAT (before significant items)	7.7	3.1	148.4
Significant items (after tax)	(159.0)	(8.2)	n/a
Statutory NPAT/(loss)	(151.3)	(5.1)	n/a
Total dividends – cents per share	-	2.0	(2.0)

Financial performance

For the 2019 financial year, the Company announced revenue of \$486 million, an increase of 31% on the prior comparative period, driven largely by acquisitions. The Company had solid sales performances from the Rigid packaging business, together with the Perfection Packaging and Polypak businesses. Group revenue was impacted by lower than expected agricultural sales due to drought conditions, and a reduction in customer demand during the second half of the year which led to reduced sales in New South Wales and Victoria for the Industrial packaging business.

The 2019 EBITDA for the Company before significant items of \$28.1 million, was 72% ahead of the prior corresponding period, with a solid contribution from recent acquisitions and the Rigid packaging business. Importantly, the EBITDA margin of 5.8% was 1.4 basis points higher than the prior corresponding period due to improved operational effectiveness and cost control across the business. The improvement in EBITDA margin was set within a backdrop of higher raw material and energy costs particularly in the first-half of the financial year and adverse foreign exchange movements.

As part of the on-going integration activities of the business, a number of significant expense items were incurred during the 2019 financial year including a non-cash goodwill impairment of \$149m. As a result, the Company reported a Net Loss After Tax of \$151.3m.



Strategy

- ❖ Organic growth and margin expansion
- ❖ Operational excellence
- ❖ Product innovation and sustainability

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Strategic Review

As announced in August this year, the Company is embarking on a comprehensive strategic review to facilitate the transformation of the business to become a leader in the packaging market.

This review will focus on both shorter-term initiatives and medium/long-term strategic imperatives to:

- Drive organic sales growth through product innovation and a solutions-based approach into higher-growth market segments such as Food & Beverage and Health;
- Establish operational excellence through the centralisation of procurement and strategic sourcing opportunities;
- Continue with the identification and extraction of integration synergies; and
- Improve long-term sustainability.

Governance

With the majority of the Board now in place for the last 12 months, we have overseen a significant refinement and enhancement of the Company's Corporate Governance practices to ensure they meet the on-going interests of Pro-Pac's shareholders and form a solid foundation for the Company's performance.

Our Board sub-committees are well established, with clear objectives, and comprehensive schedules to ensure appropriate oversight is provided to key areas of the business. We have reviewed and revised our foundational governance policies and procedures and implemented a number of governance initiatives such as a revised Code of Conduct, improved compliance training, and improved formal delegations.

We have also appointed Ernst & Young as our external auditor, and, subject to your approval today of their continuing appointment, we look forward to continuing to work with them.

Dividends

We have not declared a final dividend for the 2019 financial year. We continue to focus on reducing current high levels of gearing, utilising cash to fund integration activities and restoring the business to a sustainable level of profitability. The Board sees a return to the payment of dividends as a priority and is focussed on ensuring we are able to do so as soon as practicable.

Thank you

On behalf of the Board of Directors, I would like to thank our shareholders for their on-going support together with our customers, suppliers and other stakeholders. I would also like to convey our thanks to our leadership team and employees for their continued hard work and support of the Company.

I am now very pleased to invite our CEO, Tim Welsh, to talk to you before we address the formal items on today's agenda.



CHIEF EXECUTIVE OFFICER'S ADDRESS

Tim Welsh, CEO and MD

CHIEF EXECUTIVE OFFICER'S ADDRESS

Thank you, Mr. Chairman. Good morning ladies and gentlemen and once again, welcome.

Introduction

My name is Tim Welsh, and I have been the Managing Director and CEO of the Company since May of this year. I come to Pro-Pac having spent the majority of my career in senior and executive leadership roles across Food, Chemicals and Packaging manufacturing industries. I am honored to lead the company, to work with our talented executive leadership team and Board and to address you at my first AGM this morning.

Today, I will provide you with an update on the Company's transformational journey from being a distributor of general packaging products to a value-add provider of products and services to higher growth segments of the market, both in Australia and New Zealand.

As mentioned by our Chairman, 2019 was a year of significant change, both for the business and the way it operates, and importantly, from a people perspective, with a refreshed Board and new executive team charged with the responsibility for improving business performance. Recent acquisitions including Perfection Packaging and Polypak, together with the on-going integration and rationalisation of the integrated Packaging business acquired in November 2017, has positively changed the face of the business as we move forward.

Growth Strategy

We have commenced a comprehensive strategic review of the Company including a detailed analysis of each business unit's operations and the product portfolio that underpins its sales. The strategic review will focus on 3 key areas being:

Organic growth

Key to increasing sales is the identification of growth segments of the market to focus capital and resources. It would be true to say that the business has historically operated across a number of market segments, some profitable, and others not. We aim to drive organic sales growth predominantly in the Agricultural, Food & Beverage, Health and Industrial segments of the market where we know that profitable opportunities exist, and customers, including potential customers, are seeking value-add services to complement product offerings. We believe that Pro-Pac is well-positioned to support local customers with personalised service and high-quality solutions, including short lead times. We will invest in various technologies, including the creation of a digital sales platform for small-to-medium sized customers, to enhance the customer experience and position the Company to become a true trading partner.

Leveraging local manufacturing capabilities in our Flexibles packaging business is also a key pillar to our strategy as the unique nature of our customer relationships provides us with a competitive advantage against both local and overseas suppliers. Our aim is to build a reputation as the supplier of choice and continue to enhance product offerings that customers desire.

Secondly, Operational Excellence

Operational excellence starts with the quality of people in the organisation. In recent times, the Company has been successful in attracting top talent to the business. We have recruited Preevy Sackville to head up our group-wide procurement activities which includes the centralisation of procurement, purchasing and importantly supplier consolidation to provide us with much-needed critical mass and relevance. Tom Veale has recently started in the role of General Manager, Industrial Packaging. Together with the executive team, Tom is charged with restoring the Industrial Packaging business to profitable growth. In the last few weeks, Trent Pewsey commenced as General Manager, People & Culture, and Rachael Stephenson, as General Manager, Health, Safety & Environment.

These are all critical appointments that will support the delivery of organisational objectives over time.

Together with the recruitment of high-calibre people, we are also investing in programs including sales excellence training to develop a deeper and more intimate understanding of customer's current and future needs.

The strategic review encompasses the make versus buy question. We have recently commenced the rationalisation of the Flexibles packaging manufacturing footprint by reducing capacity at our Chester Hill, NSW, operations. We will continue to seek opportunities to rationalise and consolidate our manufacturing operations across both our Flexibles and Rigid packaging manufacturing operations if we believe that this will sustainably improve our product and service offerings to customers, while improving our operating margins.

Thirdly, Sustainability

In the medium-term, we aim to be an industry leading producer of sustainable packaging solutions. We will continue to leverage innovation capacity, including our Duratrack recycled plastic railway sleepers, tailored closed loop solutions and global supply partnerships to enhance the portfolio of recyclable, degradable and compostable products.

As customer and consumers demand moves more towards sustainable solutions, Pro-Pac is well positioned to be the partner of choice.

2020 Operational Priorities

We have set the following key priorities as our focus for the 2020 financial year:

- Driving a strong safety culture throughout the organisation

It goes without saying that the safety of our people and visitors to our sites is paramount. We have seen some slight improvement in our lost time to injury frequency rate year-on-year, however, there is significant room for improvement, and we have implemented various initiatives over recent months to instill a safety culture throughout the company including:

- Improved safety training and reporting tools across the business;
- A safety forum with all business leaders in attendance;
- Independent safety audits; and
- As mentioned, the appointment of Rachael Stephenson as General Manager, Health, Safety and Environment, reporting directly to me.

Returning all our people safely home at the end of the day is our most important priority.

- Expanding market share into higher growth and resilient segments of the packaging market

As mentioned, we will aim to drive organic sales growth predominantly in the Agricultural, Food & Beverage, Health and Industrial segments of the market where we know that profitable opportunities exist.

- An Operational Efficiency Program encompassing:
 - Improved sales-force effectiveness
 - Further working capital reduction
 - Optimisation of procurement and distribution scale
- Continued identification and execution of integration initiatives to extract synergies
- On-going review of the manufacturing strategy to optimise the plant network leveraging lowest-cost-to-make sites
- Strengthening our balance sheet position by continuing to reduce current gearing levels

All of these activities are aimed at improving our short-term financial performance while providing a platform for our longer-term strategic growth.

Business and Trading Update

Over the last 12 months, a significant amount of work has been carried out to improve the financial performance of the Flexibles packaging business, including improved sourcing of raw materials, rationalisation of operations and disciplined cost control measures. We are now focused on identifying growth markets in which to invest our capital and resources. Year-to-date sales to the agricultural sector of the market are in line with internal expectations notwithstanding the continuing drought conditions.

In response to the continuation of reduced revenue and earnings that was experienced through the second-half of 2019, we have now commenced the restructuring of the Industrial packaging business including the introduction of new management, sku rationalisation, and supplier consolidation, in order to improve profitability in the second-half of the financial year. Unfortunately, the current year-to-date results of this operating segment have been poor.

Turning to first-half 2020 financial performance, it would be fair to say that we are generating a much-improved bottom-line in the Flexibles packaging operating segment, which has been offset by weaker than expected trading from our Industrial packaging business. Rigid packaging is relatively stable with the exception of a reduction in customer demand from the Health sector of the market causing some short-term revenue issues. In summary, based on trading year-to-date and internal forecasts, it is our expectation that Group H1 2020 EBITDA (before significant items) should be broadly in line with the prior corresponding period.

I would like to thank you for your continued support while we build this Company into a leading manufacturer and distributor of specialised and diversified packaging products with a focus on flexible, industrial and rigid packaging.

Finally, I would like to take this opportunity to personally thank all our staff and management for their support and their hard work over the last year.

I will now hand back to the Chairman to take us through the formal business of today's meeting.

CHAIRMAN

Thankyou Tim.

Now turning to the formal part of the meeting.

The Explanatory Statement provided with the Notice of Meeting, sets out the reasons for each resolution, and I propose to take it as read. Members voting at this meeting should also note the voting exclusion statements in relation to each Resolution as set out in the Notice of Meeting.

Time will be allowed for relevant questions as each item of business is considered by members. Please hold any general questions you may have until after the formal business is completed.



1. Financial Report

To receive and consider the Financial Report of the Company and of the Consolidated Entity for the year ended 30 June 2019 and the Reports Directors' and Auditor's thereon.

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Item 1 – Financial Report

To receive and consider the Financial Report of the Company and of the Consolidated Entity for the year ended 30 June 2019 and the Reports by Directors and Auditors thereon.

The Annual Accounts including the Directors' Statements and Auditor's Report have been provided to shareholders. Ladies and gentlemen, this item of business does not require a vote; however, the reports are open for discussion. The Company's auditor is in attendance and is available to answer questions for Shareholders relevant to:

- The conduct of the audit;
- The preparation and content of the Auditor's report;
- The accounting policies adopted by the Company in relation to the conduct of the audit; and
- The independence of the auditor.

If any shareholder has questions or comments relating to this item, please raise your voting card.

[Questions / Discussion]

If there are no further questions, we will move to the remaining resolutions for your consideration.

The remaining resolutions are ordinary resolutions and will be passed if more than 50% of votes are cast in favour of the resolution. The resolutions are set out in the Notice of Meeting and as each is considered it will be shown on the screen behind me together with a summary of the proxy instructions received in respect of that resolution.

All voting exclusion requirements imposed by the ASX Listing Rules, and set out in the Notice of Meeting, have been taken into account in determining all proxy counts in relation to the Resolutions proposed. I intend to vote all open proxies that I hold in favour of the resolutions.

Adopting the new ASX Corporate Governance Guideline recommendation 6.4, we intend to conduct the voting on all resolutions via a poll, which is a change from past practice. The rationale behind this change is that in order to ascertain the true will of security holders attending and voting at the meeting, whether a shareholder attends in person, electronically or by proxy or other representative, it is necessary to conduct a poll. Accordingly, as Chairman, I exercise my power to call a poll on all resolutions to follow. The poll on all resolutions will be conducted at the end of the questions and discussions.



2. Remuneration Report Non Binding Advisory Resolution

To receive, consider and adopt the Remuneration Report of the Company and Consolidated Entity for the year ended 30 June 2019.

FOR	AGAINST	PROXY'S DISCRETION	ABSTAIN
607,389,161	5,558,869	1,265,988	208,600
99.88%	0.91%	0.21%	

Following any questions or discussion, at the end of the meeting a poll will be held to ensure that the voting cast on this resolution is clear to all shareholders.

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Resolution 2: To consider and if thought fit, pass the following resolution as an Ordinary Resolution:

"To receive, consider and adopt the Remuneration Report of the Company and Consolidated Entity for the year ended 30 June 2019."


The Corporations Act requires the preparation of a remuneration report and that a resolution be put to members that the remuneration report be adopted. Voting on the resolution is not binding on the company or the Directors. However, the Board takes seriously the views of members on this matter and will be given proper consideration when we review our remuneration practices and policies.

The proxy votes received in respect of this resolution are shown on the slide.

Does any shareholder wish to speak in relation to the resolution or ask any questions?

[Questions / Discussion]

As previously mentioned, a poll will be taken at the end of all resolutions.

 3. Director Election Rupert Harrington			
FOR	AGAINST	PROXY'S DISCRETION	ABSTAIN
583,301,999	2,905,163	1,573,982	26,641,474
99.24%	0.49%	0.27%	

Following any questions or discussion, at the end of the meeting a poll will be held to ensure that the voting cast on this resolution is clear to all shareholders.

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Resolution 3: To consider and if thought fit, pass the following resolution as an Ordinary Resolution:

"That, for the purposes of clause 6.1 of the Company's Constitution and for all other purposes, Shareholder approval is given to the election of Mr. Rupert Harrington as a Director of the Company."

Rupert would like to take this opportunity to introduce himself and give some details of his skills and experience.
[Handover to Rupert Harrington]

Thank you, Rupert. The proxy votes received in respect of this resolution are shown on the screen behind me.

Does any shareholder wish to speak in relation to the resolution or ask any questions?

[Questions / Discussion]

As previously mentioned, a poll will be taken at the end of all resolutions.



4. Director Election Jonathan Ling

FOR	AGAINST	PROXY'S DISCRETION	ABSTAIN
609,660,500	2,075,749	2,476,988	209,381
99.26%	0.34%	0.40%	

Following any questions or discussion, at the end of the meeting a poll will be held to ensure that the voting cast on this resolution is clear to all shareholders.

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As this next Resolution concerns my own re-election, I shall hand the Chair over to Mr Darren Brown to continue.

Resolution 4: To consider and if thought fit, pass the following resolution as an Ordinary Resolution:

"That, for the purposes of clause 9.2 of the Company's Constitution and for all other purposes, Shareholder approval is given to the election of Mr. Jonathan Ling as a Director of the Company."

Jonathan will give some details of his skills and experience. *[Handover to Jonathan Ling]*

Thank you, Jonathan. The proxy votes received in respect of this resolution are shown on the screen behind me.

Does any shareholder wish to speak in relation to the resolution or ask any questions?

[Questions / Discussion]

As previously mentioned, a poll will be taken at the end of all resolutions. I will now hand the Chair back to Jonathan.



5. Appointment of Ernst & Young as Auditor

FOR	AGAINST	PROXY'S DISCRETION	ABSTAIN
610,292,473	1,171,322	2,478,153	480,670
99.41%	0.19%	0.40%	

Following any questions or discussion, at the end of the meeting a poll will be held to ensure that the voting cast on this resolution is clear to all shareholders.

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Resolution 5: To consider and if thought fit, pass the following resolution as an Ordinary Resolution:

"That pursuant to section 327B of the Corporations Act and for all other purposes, Ernst & Young of 8 Exhibition Street, Melbourne Victoria, 3000, having been nominated by a shareholder and having given its consent in writing to act as auditor, be appointed as the auditor the Company to hold office from the conclusion of this Annual General Meeting until it resigns or is removed from the office of auditor of the Company, or its appointment otherwise ceases under the provisions of the Corporations Act."

The proxy votes received in respect of this resolution are shown on the screen behind me.

Does any shareholder wish to speak in relation to the resolution or ask any questions?

[Questions / Discussion]

As previously mentioned, a poll will be taken at the end of all resolutions.



6. Issue of Performance Rights to Tim Welsh

FOR	AGAINST	PROXY'S DISCRETION	ABSTAIN
606,450,944	5,018,687	1,631,792	1,321,195
98.91%	0.82%	0.27%	

Following any questions or discussion, at the end of the meeting a poll will be held to ensure that the voting cast on this resolution is clear to all shareholders.

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Resolution 6: To consider and if thought fit, pass the following resolution as an Ordinary Resolution:

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, shareholder approval is given to the issue and annual allotment of 3,333,333 Performance Rights (and Shares on exercise of such Performance Rights) to Mr. Tim Welsh, the Company's Chief Executive Officer and Managing Director, under the Company's Performance Rights Plan and otherwise on the terms set out in the Explanatory Notes accompanying this Notice of Annual General Meeting."

The proxy votes received in respect of this resolution are shown on the screen behind me.

Does any shareholder wish to speak in relation to the resolution or ask any questions?

[Questions / Discussion]

As previously mentioned, a poll will be taken at the end of all resolutions.



Poll for Resolutions 2- 6

- *Please indicate your vote on your Voting Card*
- *Boardroom representatives will collect your completed cards.*

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Ladies and Gentlemen, now that we have considered each resolution, I ask you to complete your voting card. A representative from Boardroom will collect the card from you and tally the votes.

Whilst we are waiting, I would be happy to take any general questions you may have.

[Questions / Discussion]

[Announce results of poll- Resolutions carried/ not carried]

If there are no further questions, I will close the meeting. Thank you for your attendance today. The Directors would be pleased if you would join them for Tea and Coffee.

-ends-